

# Client Update April 2022

## Disaster Relief

Our thoughts are with all the people and communities impacted by the catastrophic flood events.

We have compiled information for Government offered support in this article, and offer our assistance to any persons or businesses requiring guidance in the application process.

GOVERNMENT SUPPORT FOR  
FLOOD RAVAGED AREAS

### Australian Economy Quick Stats

- > The interest rate outlook remains front of mind in Australia. Officials are suggesting policy settings are unlikely to be changed this year, however some economists expect official borrowing costs to be raised in the next few months.
- > Australian wages rose 0.7% in the December quarter, which was in line with consensus forecasts.
- > At the end of the December quarter consumer prices were up 3.5% from a year earlier.
- > The unemployment rate fell to 4% in February, with the 3.8% unemployment rate for women the lowest since 1974.

## Fringe Benefits Tax deadline approaching!



As we approach the deadline for Fringe Benefits Tax (FBT) returns for the 2021-22 FBT year, now is a good time to check over your vehicle logbooks and ensure your records are accurate and up-to-date.

The statutory due date for lodgement and payment to the ATO is 23 May 2022 if you self-lodge. When prepared by us, an extension to 27 June 2022 is available.

If you'd like us to help prepare your return, please get in touch with Samantha  
[fbt@afsbendigo.com.au](mailto:fbt@afsbendigo.com.au)

## 2022 – 2023 Federal Budget Summary

### Personal tax rates unchanged for 2022–2023

No changes were made, the Stage 3 personal income tax cuts remain unchanged and will commence in 2024–25 as already legislated.

### COVID-19 test expenses to be deductible

The costs of taking a COVID-19 test to attend a place of work will be tax deductible for individuals. The Government will also ensure FBT will not be incurred by businesses where COVID-19 tests are provided to employees for this purpose.

### Temporary reduction in fuel excise

The Government will reduce the excise and excise-equivalent customs duty rate that applies to petrol and diesel for 6 months by 50%.

### Deduction boosts for small business: skills and training, digital adoption

Businesses with turnover less than \$50m will receive a 20% uplift on deductions for eligible expenditure on external training courses and digital technology.

### PAYG instalments: option to base on financial performance

Companies will be allowed to choose to have their PAYG instalments calculated based on current financial performance, extracted from business accounting software.

### PAYG and GST instalment uplift factor

The GDP uplift factor for PAYG and GST instalments will be set at 2% for the 2022–23 income year.

### Digitalising trust income reporting

All trust tax return filers will be given the option to lodge income tax returns electronically.

### Taxable payments data reporting: option to link to BAS cycle

Businesses will be provided with the option to report Taxable Payments Reporting System data on the same lodgment cycle as their activity statements, via accounting software.

### Superannuation pension drawdowns

The temporary 50% reduction in minimum annual payment amounts for superannuation pensions and annuities will be extended by a further year to the 2022–23 income year.

### One-off \$250 cost of living payment

The Government will make a \$250 one-off cost of living payment in April 2022 to eligible welfare recipients and concession card holders.

AFS FEDERAL BUDGET  
HIGHLIGHTS

## ATO to pay interest on early payments automatically from March 2022

The Australian Tax Office (ATO) are automatically identifying, calculating, and paying Interest on Early Payments (IEP) from March 2022, for eligible early payments made from 1 July 2021.

### Eligible payments

You may receive IEP when you make payments towards any of the following liabilities more than 14 days before the due date:

- > income tax (including Medicare levy and Medicare levy surcharge)
- > compulsory Higher Education Loan Program (HELP) repayments
- > compulsory Vocational Education and Training Student Loan (VETSL) repayments
- > Student Financial Supplement Scheme (SFSS) assessment debts
- > compulsory Student Start-up Loan (SSL) repayments
- > compulsory ABSTUDY Student Start-up Loan (SSL) repayments
- > compulsory Trade Support Loan (TSL) debt repayments
- > interest on distributions from non-resident trust estates
- > shortfall interest charge (SIC).

For eligible payments made:

- > after 13 March 2022, the ATO will pay IEP entitlements generally within two weeks of the due date of the liability
- > between 1 July 2021 and 13 March 2022, the ATO commenced paying IEP entitlements in March 2022.

If you have an existing tax debt, your IEP entitlement may be offset against the debt.

### Payments not eligible

The following payments are not eligible for IEP:

- > Pay As You Go (PAYG) withholding amounts including
  - amounts withheld from interest, dividends and royalties
  - amounts withheld by payers (including those withheld for the purpose of repaying contributions or debts for HELP, VETSL SFSS, TSL, SSL or ABSTUDY SSL)
- > PAYG instalments
- > any part of a payment that exceeds the amount that is due and payable.

Interest on early payments is assessable income and needs to be included in your tax return in either the income year:

- > you receive the interest
- > it is offset against your tax debt.

### What is the interest rate?

For the 2021/22 financial year the interest rates used for calculation of IEP is:

Period	Interest rate (%pa)
1 July 2021 to 30 September 2021	0.04
1 October 2021 to 31 December 2021	0.01
1 January 2022 to 31 March 2022	0.04
1 April 2022 to 30 June 2022	0.07

See [rates for other periods](#).

## Commercial debt forgiveness – natural love and affection



The ATO has recently finalised its stance on the issue of commercial debt forgiveness – in particular, the “natural love and affection” exclusion.

A commercial debt is any debt where interest payable is deductible, or would be deductible if interest were payable, but for certain statutory restrictions. Under the commercial debt forgiveness provisions, if a taxpayer’s obligation to pay their debt is released, waived, or otherwise extinguished, the amount forgiven will be deducted from the taxpayer’s current and future tax deductions. Specifically, the amount forgiven will reduce prior-year revenue losses, prior-year net capital losses, undeducted balances of other expenditure being carried forward for deduction, and the CGT cost base of other assets held, in that order.

Given that forgiving commercial debts may mean a business will have to pay more tax, it can be advantageous if debts the business has forgiven are not captured under the commercial debt forgiveness provisions. The exclusions available include forgiveness of some debts relating to bankruptcy or by will, and a person’s forgiveness of a debt for reasons of natural love and affection for the debtor.

The natural love and affection exclusion to commercial debt forgiveness previously didn’t require the creditor who forgave a debt to be a “natural person”. This meant that a company, through its directors, could forgive the debts of an individual, giving the reason of natural love and affection for the individual, and this would not have been considered a commercial debt forgiveness, meaning a lower tax bill for the company.

In February 2019 the ATO released a draft determination which explicitly stated that the exclusion for debts forgiven for reasons of natural love and affection requires the creditor to be a natural person. This has recently been confirmed in the finalised determination.

While the ATO states that a debt-forgiving creditor must be a natural person and the object of their love and affection must be one or more other natural persons, there is no requirement that the debtor must also be a natural person. For example, this means that the exclusion could apply in circumstances where the debtor is a company, such as where a parent forgives a debt they are owed by a company that is 100% owned by their child or children.

According to the ATO, whether a creditor’s decision to forgive a debt is motivated by natural love and affection for a person needs to be determined on a case-by-case basis.

## Tax debts may affect business credit scores

The ongoing COVID-19 pandemic has caused uncertainty in many parts of the economy and has led to what many experts term a “two-speed economy” while some businesses are recovering well, others continue to suffer from the effects.

If your business has had issues paying debts, or you’ve prioritised trade debt ahead of tax debt, it’s important to remember that it may lead to penalties and have a lasting impact on the business.

The best option is to engage with the ATO to manage business debts. Failure to get in touch with the ATO to come to an arrangement will not only affect the potential penalties imposed, but may also affect your business’s credit score.

Laws were passed in 2019 which allow the ATO to disclose information about overdue business tax debts to credit reporting agencies. The intended effects include reducing unfair financial advantages obtained by businesses that do not pay their tax on time, and encouraging businesses to engage with the ATO to manage their tax debts to avoid having those debts disclosed.

To protect taxpayers, the laws passed contained some safeguards. Not all tax debts can be disclosed, and even if a business debt satisfies the requirements for reporting, where exceptional circumstances apply to the situation the ATO may still have the discretion to not report the debt information to credit reporting agencies. “Exceptional circumstances” may include, but are not limited to, family tragedy, serious illness and the impact of natural disasters. The ATO will assess claims of exceptional circumstances on a case-by-case basis.

General cash flow issues or financial hardship are not considered to be exceptional circumstances, but if you’re experiencing these issues it’s best to make contact with the ATO as soon as possible.

Before any debt is disclosed to credit reporting agencies, the ATO must send your business a written notice setting out the criteria that the business has met and the debt information that will be disclosed. The letter will also outline the steps to avoid having the tax debt reported, which you need to take within 28 days of receiving the notice.





## Sick Pay Guarantee pilot launched in Victoria

Victorian Premier Daniel Andrews has announced a two-year trial plan that will offer casual Victorian workers up to five days paid sick leave per year.

Eligible casual and contract workers under the plan will receive up to five days a year of sick or carer's pay at the national minimum wage, which is currently \$20.33 an hour or \$772.60 per week.

The plan is designed to offer relief to casual workers in occupations that have been identified as both vulnerable and vital.

The first phase is open to approximately 150,000 Victorian workers working an average of 7.6 hours or more per week in:

- > hospitality
- > retail
- > cleaning and laundry services
- > aged and disability care
- > security
- > supermarket and supply chain industries.

### What does this mean for employers?

The two year pilot is expected to cost around \$245.6 million and is government-funded, after that it may be funded via a levy applied to business.

The leave applications are handled by the employee and in most cases will not require employer input.

### What does it mean for eligible employees?

Employees can now take some financial pressure off themselves when they are sick and [apply for the assistance on the Service Victoria website](#).

In addition to proof of identity documents, employees must provide evidence of employment - a recent payslip, employment contract, letter or email from your employer in order to apply.

If you are self-employed you can use a recent Business Activity Statement, your latest PAYG summary, an ASIC or ABR registration confirmation, a recent invoice or a Statutory Declaration.

## \$450 threshold removed for super guarantee eligibility

- > From July 1 2022, employers will be required to make super guarantee contributions to their eligible employee's super fund regardless of how much the employee is paid.
- > Businesses will need to check their payroll and accounting systems have been updated for super payments made after 1 July 2022 to ensure they correctly calculate their employees super guarantee entitlement.
- > Guidance, online tools and calculators will be released on 1 July 2022 to accommodate this change.



## State and territory COVID-19 support

If you have any questions regarding any of the support, including determining your eligibility or how to apply, please call us on 03 5443 0344 or email [afs@afsbendigo.com.au](mailto:afs@afsbendigo.com.au).

### All states and territories

- > Pandemic Leave Disaster Payment
- > JobMaker Hiring Credit
- > \$150,000 Instant Asset Write-Off
- > Indigenous Business Australia – COVID-19 Support
- > SME Recovery Loan Scheme
- > New Business Assistance with NEIS
- > Banks COVID-19 Relief Program
- > International Freight Assistance Mechanism
- > Backing Business Investment – Accelerated Depreciation

### Australian Capital Territory

- > Economic Survival Package
- > COVID-19 Hardship Payment
- > Pandemic Leave Disaster Payment

### New South Wales

- > Small Business Fees and Charges Rebate
- > COVID-19 Tax Relief Measures
- > Pandemic Leave Disaster Payment
- > Performing Arts COVID Support Package

### Northern Territory

- > Pandemic Leave Disaster Payment

### Queensland

- > Pandemic Leave Disaster Payment
- > COVID-19 Cleaning Rebate
- > Tourism Business Financial Counselling Services
- > Support for Tourism Operators and Hospitality Providers

### South Australia

- > COVID-19 Business Hardship Grant
- > Liquor Licence Holders and COVID-19
- > Pandemic Leave Disaster Payment

### Tasmania

- > Business Growth Loan Scheme
- > Rapid Response Skills Initiative
- > Vehicle registration deferrals
- > Event Ready Grant Program
- > Small Business Advice and Financial Guidance Program

### Victoria

- > COVIDSafe Outdoor Activation Voucher Program
- > Coronavirus Payroll Tax Relief
- > Pandemic Leave Disaster Payment
- > COVIDSafe Deep Cleaning Rebate
- > Jobs Victoria Fund

### Western Australia

- > Apprenticeship and Traineeship Re-engagement Incentive
- > Getting the Show Back on the Road



## Rebuilding Regional Communities

The Foundation for Rural & Regional Renewal (FRRR) has a large variety of grants and funding for the rebuilding of communities. Round 13 is now open with a total of \$800,000 available for the Rebuilding Regional Communities (RRC) stream.

The funding is available for a broad range of grassroots, community-led initiatives that assist communities to recover from and adapt to the impacts of the COVID pandemic, and is available in all remote, rural and regional regions in all states and territories.

The stream has two funding tiers:

- Grants up to \$10,000 for communities with fewer than 50,000 people.
- Grants up to \$50,000 for communities that are classified as remote, rural or regional as defined by the [Australian Bureau of Statistics' Australian Geography Standards](#).

This grant will be offered twice a year, until November 2023.

Community-led projects or initiatives that may be eligible for the grant need to:

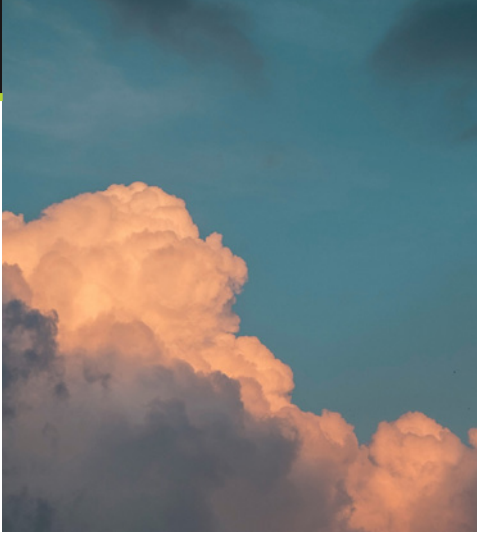
- > enhance the process of recovery from the COVID pandemic for remote, rural and regional communities
- > reduce social isolation and foster stronger, more resilient remote, rural and regional communities and
- > sustain local, regional, rural and remote organisations in their work.

A broad range of charitable projects are considered under this program, including:

- > delivering, or providing activities, events, programs and services
- > purchasing or hiring equipment and materials
- > community infrastructure projects
- > organisational capacity building
- > community resource development
- > supporting, training or attracting volunteers
- > events and activities to reconnect the community
- > enhancing community spaces to increase community use
- > developing services and support to assist vulnerable people and people experiencing disadvantage
- > purchase of equipment or resources to strengthen organisations that support communities.

Expression of interests for round 13 are due by 12 April 2022 and [applications](#) close 31 May 2022.

There is a future round scheduled to open on 1 June 2022.



## Government support for flood-ravaged areas

The recent devastating flooding in South East Queensland and parts of New South Wales has left many people homeless, caused vast amounts of property damage and has sadly led to loss of life. While the clean-up effort continues in many areas, there is some immediate financial help available for those affected, including the:

- > Disaster Recovery Payment
- > Disaster Recovery Allowance

Additionally, for flood-impacted small businesses:

- > automatic lodgment deferral
- > "fast-tracked" GST refunds.

DETAILS ON FLOOD DISASTER SUPPORT



## Self-managed superannuation funds investing in crypto-assets: be informed and keep records

According to the Australian Securities and Investments Commission (ASIC), there has been a surge of promoters encouraging individuals to set up self-managed superannuation funds (SMSFs) in order to invest in crypto-assets. ASIC warns people to be aware that while crypto-asset investments are allowed for SMSFs, they are high risk and speculative, as well as being an attractive area for scammers targeting uninformed investors.

For example, late last year ASIC moved to shut down an unlicensed financial services business based on the Gold Coast that promised annual investment returns of over 20% by investing in crypto-assets through SMSFs. The money obtained was not invested, but instead allegedly used by the directors of the business for their own personal benefit, including acquiring real property and luxury vehicles in their personal names.

Professional advice should always be sought before deciding on whether an SMSF is appropriate for your circumstances, as there are risks involved in being a trustee of an SMSF, and any SMSF established must meet the "sole purpose" test.

SMSF trustees bear all the responsibility for the fund and its investment decisions, complying with the law and any breaches may lead to administrative or civil and criminal penalties even if the advice of other people, licensed or otherwise has been relied upon.

Accurate records and income reporting are important for any investment in crypto-assets, whether through an SMSF or not.



## Bendigo Ford Fun Run

How exciting is it to be out and about again? For over six years AFS team members have participated in the fun run to support the Bendigo Health Foundation. Once again the team joined the Bendigo community on Sunday 6 March to participate in the event, raising funds for the Children's Ward at Bendigo Health.

This year over one thousand locals participated in the run, raising \$25,000!



## International Women's Day

On March 8 we celebrated International Women's Day, where we gathered for morning tea and discussed the #breakthebias theme for 2022. The team shared stories of what they envision for a sustainable and gender balanced future.



## AFS proudly sponsors Bendigo Foodshare

Bendigo Foodshare supports food relief across North and Central Victoria, including Kyneton, Castlemaine, Heathcote, Rochester, Echuca, Beaufort, Boort, Girgarre and further afield.

The food supplied is primarily surplus food that would otherwise have gone to landfill from a wide range of food businesses, such as:

- > supermarkets and food retailers
- > hospitality businesses
- > food manufacturers
- > agricultural businesses and growers.

View our blog on our insights page [afsbendigo.com.au/insights](https://afsbendigo.com.au/insights)



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